

OPTION AGREEMENT #1**DATED:** April 1, 1994 ("Option Date")**PARTIES:** A. **RICO DEVELOPMENT CORPORATION, a Colorado Corporation**
(the "Optionor")

Address: #7 Impala South
Athens, Texas 75781
Attention: Mr. Wayne Webster

B. **RICO PROPERTIES LIMITED LIABILITY COMPANY, a Colorado**
limited liability company (Optionee);

Address: One Hinkley Drive
P.O. Box 220
Rico, Colorado 81332
Attention: Mr. Richard M. Theile

C. **TELLURIDE MOUNTAIN TITLE COMPANY ("Title Company");**

Address: 335 West Colorado Avenue
P.O. Box 1440
Telluride, Colorado 81435
Attention: Mr. Martin S. Bregman

D. **OPTION PROPERTY:** That certain real property
located in Dolores County, Colorado and more
particularly described on the attached Exhibit
"A", together with all improvements and fixtures
situated thereon and all improvements and
appurtenances related thereto, including, but not
limited to all mineral, timber and water rights
related thereto and all rights of any nature
whatsoever.

1. **Grant of Option.**

In consideration of payment by Optionee of the sums hereafter set forth, Optionor hereby grants Optionee a series of exclusive option(s) ("Option") to purchase all or any portions of the Option Property described herein under the terms and conditions set forth in this Agreement. The consideration for this Option Agreement shall be ONE HUNDRED AND NO/100 DOLLARS (\$100.00), the receipt of which is hereby acknowledged by Optionor ("Option Property").

2. **Expiration Date.**

This Option shall expire at 4:00 p.m., Colorado time, on March 31, 1999.

3. **Notice of Exercise.**

Optionee may exercise the options granted by this Option to purchase all or various portions of the Option Property any time after the close of the Master Escrow. Any exercise of an Option to purchase all or a portion of the Option Property shall be by written notice signed by the Optionee and hand delivered or sent certified mail, postage prepaid, return receipt requested, to the Title Company and Optionor at the address set forth herein.

Optionee may elect to exercise any Option herein with respect to fee title to any portion of the Option Agreement, or the surface estate of said Option Property, or any combination of the surface estate and interests in minerals together constituting less than fee title; and Optionor shall grant the surface estate of any portion of the Option Property and grant and reserve all or any portion of the mineral estate in the Option Property in the manner specified by Optionee in its exercise of any Option hereunder, provided Optionee pays the consideration specified in this Option Agreement and as set forth in Section 5.

4. **Title Insurance on Grant of Option.**

In consideration of the payment of the Option Payment, Optionor has delivered to Optionee on even date herewith, and Optionee acknowledges receipt of, a standard coverage policy of title insurance or irrevocable commitment therefor issued by Title Company in the amount of ONE THOUSAND AND NO/100 DOLLARS (\$1,000.00), insuring the vesting of Optionee's rights under this Option free of all matters except only the printed exceptions normally contained in such policies, taxes not due or payable, and any other matters presently set forth in the Title Commitment (as defined in Section 5).

5. **Exercise of Option and Payment of Purchase Price.**

In the event any of the Options referred to in this Option is timely exercised as herein provided, Optionor and Optionee shall perform the obligations set forth in this Agreement and as follows:

A. An escrow shall be immediately opened by Title Company ("Escrow");

B. Escrow shall close no later than sixty (60) days after Optionor's receipt of Optionee's notice of exercise ("Closing Date"). If an earlier Closing Date is requested by Optionee, each party agrees to use its efforts in good faith to close Escrow at or as soon as possible;

C. Optionor and Optionee shall enter into Title Company's standard Escrow Instructions, standard residential contract to buy and sell real estate, standard commercial contract to buy and sell real estate, or standard vacant land/farm and ranch contract to buy and sell real estate ("Contract") whatever the case may be, said Escrow Instructions and Contracts attached hereto as Exhibits B through E. Title Company is authorized as agent for Optionor and Optionee to insert such provisions, terms and conditions, as the Optionee shall direct consistent with the terms and provisions of this Option Agreement.

D. Optionor and Optionee hereby authorize Title Company to insert the purchase price in the Contract and Escrow Instructions of any portion of the Option Property exercised by Optionee by referring to the Second Addendum to the Master Escrow for the applicable price which amounts are set forth on Exhibit "C" to said Addendum. Any purchase price directed by Optionee to be inserted in excess of the Purchase Price set forth in the Second Addendum shall inure to the benefit of Optionee.

E. The cost of standard owner's title policy shall be paid by Optionee;

F. All other escrow fees, recording expenses and all other closing expenses, if any, shall be payable by Optionee, except those expenses directly attributable to delivering record title of the Option Property to Optionee, which expenses shall be payable by Optionor;

G. Transfer of title to the portion of the Option Property exercised shall be evidenced by method of conveyance selected by Optionee which shall be either method of Warranty Deed attached hereto as Exhibits "F" and "G", or any other transfer deed ("Deed") reasonably requested by Optionee consistent with the terms of this Option Agreement, including Section 3. In addition, Optionor shall transfer by appropriate documentation the applicable personal property of Optionor relating to the portion of the Option Property subject to the Escrow.

H. The portion of the Option Property exercised shall be transferred subject only to current taxes and assessments (which payment Optionee is obligated to make pursuant to Section 8 herein) (which assessments shall be prorated through Closing Date), reservations and all easements, rights of way, encumbrances, liens, covenants, conditions, restrictions, obligations and liabilities as appear in the Updated Title Commitment, issued by the Title Company and dated March 29, 1994 as Order No. 94010047B (Title Commitment);

I. All parties agree to execute, acknowledge and deliver such other instruments and documents as may be reasonably necessary to consummate any Escrow in a timely manner.

6. Inspection Rights and Operation of Option Property.

Optionor hereby grants Optionee an exclusive license to enter the Option Property to allow evaluation of the Option Property for future development, such evaluation to occur at Optionee's sole expense, said exclusive license to remain valid until final and complete exercise or expiration of all of the Options set forth in this Option Agreement. During the term of said license, Optionee shall not develop the surface or mineral estate of the Option Property, but shall only enter and evaluate the Option Property. Optionee may conduct and may authorize and license others to conduct all manner of surface and subsurface investigations concerning physical and environmental condition of the Option Property provided Optionee shall remain responsible for the proper disposition of all wastes created in the course of such evaluation and surface or subsurface investigations.

Optionee hereby indemnifies Optionor and shall hold Optionor harmless from all claims, costs or liabilities arising out of a physical injury suffered by Optionee or its agents with regard to the inspection right of Optionee granted by Optionor hereunder.

During the period commencing upon the Option Date until the Expiration Date, the Optionor and Optionee agree as follows:

A. Optionor shall:

a. enter into no loans, leases, easements, or other agreements which affect the ownership, management, leasing, or operation of the Option Property, unless such agreements are cancellable upon not more than thirty (30) days written notice or unless such agrees have been approved in advance and in writing by Optionee;

b. send no less than quarterly to Optionee any non-confidential correspondence which Optionor receives from Governmental Authorities regarding the Option Property, unless said correspondence requires immediate action by Optionee to protect its rights hereunder or which failure to act properly would adversely affect the value of the Option Property, then in such an event Optionor agrees to forward such correspondence to Optionee promptly.

In addition, Optionor agrees that, during the Option Period, it shall not place or allow any voluntary or involuntary liens (other than involuntary liens arising through no fault of, and not caused by Optionee), encumbrances, or other matters to be placed of record on the Option Property, including, without limitation, any matter referred to in this

Section ("Lien(s)") (other than those set forth as of the date hereof in the Title Commitment, including the Houston/Hancock Street issue and the Maxwell-Watkins lawsuit matter which Optionor represents and warrants will not adversely impact the value of the Option Property) which are not "Cured" (as defined below) on or before the applicable Closing Date of any particular portion of the Option Property affected by the Lien. Notwithstanding the foregoing, in the event any such Liens arise, Optionor shall on or before thirty (30) days prior to the applicable Closing Date of any particular portion of the Option Property affected by the Lien, eliminate or satisfy such Liens or obtain a commitment for title endorsement insuring Optionee and its lender against loss or damage from the Lien. Upon the elimination or satisfaction of such Liens or the obtaining of a commitment for title endorsement insuring against loss or damage from such Liens, then such Liens shall be deemed "Cured" and the result shall be called a "Cure Event". In the event Optionor is unable to perform a Cure Event by the applicable Closing Date of any portion of the Option Property affected by the Lien, Optionee shall be entitled, in its sole and absolute discretion to : (i) proceed to exercise the Option granted by this Option Agreement, in which case, Optionee shall be entitled to a credit against the Original Option Amount (and the escrow in question) in an amount equal to the amount of the Liens and costs and expenses directly incurred by Optionee in attempting to remove said Liens; and/or (ii) exercise any other available remedy at law or in equity.

7. Condemnation

If any portion of the Option Property becomes the subject of a condemnation proceeding prior to the Expiration Date, Optionor agrees to immediately advise Optionee in writing of such proceeding. Optionee then shall have the option to: (i) authorize Optionor to negotiate with the condemning authority and receive the condemnation award, with a reduction in the purchase price of the portion of the Option Property affected, equal to the amount by which (A) the amount received by Optionor as gross proceeds of the condemnation proceeds, exceeds (B) the amount of any out-of-pocket expenses reasonably incurred by Optionor to third parties in connection with such negotiations; or (ii) exercise the Option in accordance with the terms and conditions of this Option Agreement and elect to negotiate directly with the condemning authority for the condemnation award, in which event (A) Optionee shall be entitled to the amount of any such award if Optionee exercises the Option and concludes the purchase of the Option Property to which the condemnation relates, (B) the amount of any such award shall be paid to the Title Company for further disbursement to Optionee if and when the respective purchase of the particular portion of the Option Property is closed; and (C) no reduction shall be made to the purchase price of the portion of the Option Property. Notice of the exercise of Optionee's election under subparagraph (i) or (ii) above shall be made within ten (10) days after Optionee receives notice of the proceeding from Optionor. Optionee's failure to timely make such an election shall be deemed to be an election under subparagraph 14(ii) above.

8. Real Estate Taxes.

During the period of this Option, Optionee shall be responsible for the payment of real estate property taxes on the Option Property; provided, however, that in the event

Optionee executes a quit-claim deed to Optionor with regard to any portion of the Option Property, (or executes other similar documents indicating an irrevocable termination of its right to purchase the portion of the Option Property), then in such an event, the obligation of Optionee for the payment of any further taxes after that date will cease on that particular piece of Option Property.

9. Failure to Exercise Option.

If Optionee does not timely exercise the Option as herein provided, or is unable to exercise the Option due to a default of the Option Agreement by Optionee, the Option Payments shall be retained by Optionor, free of all claims of Optionee, and neither party shall have any further right or claims against the other. Concurrent with the recording of the Memorandum of Option as set forth in Section 10, Optionee shall execute and deliver to the Title Company, a Quit-Claim deed in recordable for divesting Optionee of all rights under this Option Agreement and the Option Property, said deed attached hereto as Exhibit "H". The Quit-Claim deed shall be held by the Title Company and recorded by the Title Company immediately following any termination of this Option Agreement pursuant to the terms hereof.

10. Further Assurances; Attorney-In-Fact.

At any time, and from time to time, upon request of Title Company or Optionee, Optionor shall make, execute and deliver, or will cause to be made, executed or delivered, to Title Company or to Title Company's designee, and when requested by Title Company, cause to be executed, filed, recorded, as the case may be, at such times Title Company may reasonably deem appropriate, any and all such documents, Escrow Instructions, Contracts, Deeds, agreements, statements, instruments of further assurance, and other documents as may, in the sole reasonable opinion of Title Company, be necessary or desirable in order to effectuate, complete, and perfect the real transactions contemplated by this Option Agreement in a timely manner.

If Optionor fails to timely perform any of the matters referred to in this Section and Section 5 within fourteen (14) days of the opening of an Escrow or within fourteen (14) days from the date of request by Optionee to Optionor and/or Title Company, Kent Williamson, Esq., may do so for and in the name of Optionor. Only for such purposes, Optionor hereby irrevocably appoints Kent Williamson, Esq., as its attorney-in-fact for the purpose of executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Kent Williamson, Esq.'s sole opinion, to accomplish the matters contemplated by this Option Agreement and in particular, Section 5. In the event that Kent Williamson, Esq., is unable to or unwilling to act as attorney-in-fact, Optionor agrees to select a substitute attorney-in-fact with the approval of Optionee, which approval will not be unreasonably withheld.

11. Right of Specific Performance.

Optionor agrees that Optionee shall have, in addition to any other rights and remedies available at law or in equity, the right of specific performance to enforce the terms and provisions of this Option Agreement.

12. Recordation.

Concurrent with the execution of this Option Agreement, Optionor and Optionee shall execute and record a Memorandum of Option in the form attached hereto as Exhibit "I".

13. Assignment.

This Option and all rights hereunder may be assignable in whole or in part with regard to all or part of the Option Property by Optionee without the consent of Optionor.

14. Notices.

All notices, requests, demands or other communication required or permitted under this Agreement must be in writing and shall be effective on the earlier of either (i) the date received by such party if delivered via hand delivery; or (ii) forty eight (48) hours after the date if sent via registered or certified mail, return receipt requested, postage and fees prepaid and addressed to the parties herein as set forth on Page 1, with a copy addressed as follows:

Optionor Representative: M. Jack Duskin, Esq.
c/o MIKE THEILE REALTY
213 West Colorado Avenue
Telluride, Colorado 81435

Optionee Representative: Kent Williamson, Esq.
P.O. Box 1618
Cortez, Colorado 81321

and

Mr. David Sell
1580 Lincoln, Suite 900
Denver, Colorado 80203

15. Time.

Time is of the essence of this Option and each and every provision hereof. Any extension of time granted for the performance of any duty under this Option shall not be considered an extension of time for the performance of any other duty under this Option.

16. Benefit and Burden.

This Option Agreement and the terms, covenants and conditions hereof shall inure to the benefit of, and shall be binding upon, the parties hereto, their respective heirs, executors, administrators, successors and assigns.

17. Attorneys' Fees.

In the event of any proceeding or action to enforce the provisions of this Option Agreement, the court before which the same shall be held or tried shall award to the prevailing party all damages, costs and expenses thereof including, but not limited to, reasonable attorneys' fees.

18. Captions.

Captions and paragraph headings used herein are for convenience only and are not part of this Option and shall not be deemed to limit or alter any provision hereof and shall not be deemed relevant in construing this Option.

19. Facsimile Copy.

The parties hereto agree to accept a facsimile copy of this Option Agreement with signatures thereon as a fully-executed counterpart of Agreement.

20. Severability.

In case any one or more of the provisions contained in this Option Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Option Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

21. Counterparts.

This Option Agreement may be executed in any number of counterparts; all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

**ADDITIONAL PROVISION TO OPTION AGREEMENT
BETWEEN RICO DEVELOPMENT CORPORATION AND
RICO PROPERTIES LIMITED LIABILITY COMPANY**

Disputes Between Optionor and Optionee and Indemnification

Notwithstanding any termination of this agreement, Optionor and Optionee agree that in the event of any controversy regarding Option Payments, Contracts, deeds, or any other documents funds or other things of value held by Title Company, unless mutual written instructions are received by Title Company, Title Company shall not be required to take any action but may await any proceeding or, at Title Company's option and sole discretion, may interplead all parties and deposit all monies and things of value into a court of competent jurisdiction, and shall recover court costs and reasonable attorneys' fees. Optionor and Optionee hereby agree to indemnify and defend Title Company, its agents, affiliates, officers, directors, servants and employees of and from any and all liability, claims, demands, actions, and causes of action whatsoever including, without limitation, reasonable attorneys' fees, expenses, and costs reasonably incurred in investigating, preparing, or defending against any litigation or claim, action, suit, proceeding, or demand of any kind or character arising out of or related to any loss, damage, or injury that may be sustained by Title Company, its agents, servants, employees, or any other person in connection therewith arising out of, or by reason of, Title Company's activities, actions, or carrying on of its obligations or enforcement of its rights under this agreement.

22. Governing Law.

This Option shall be deemed to be made under, and shall be construed in accordance with and governed by, the laws of the State of Colorado, and suit to enforce any provision of this Option or to obtain any remedy with respect hereto shall be brought in Dolores County, Colorado, and for this purpose each party hereto expressly and irrevocably consent to the jurisdiction of said Court.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

OPTIONOR:

RICO DEVELOPMENT CORPORATION,
a Colorado corporation

By


Its President**OPTIONEE:**

RICO PROPERTIES LIMITED LIABILITY
COMPANY, a Colorado limited liability
company

By


Its Manager**TITLE COMPANY:**

TELLURIDE MOUNTAIN TITLE COMPANY,
a Colorado corporation

By


Its President

STATE OF COLORADO)
COUNTY OF SAN MIGUEL) s.s.

The foregoing instrument was acknowledged before me this 1st
day of APRIL, 1994 by WAYNE E. WEBSTER AS PRESIDENT OF
RICO DEVELOPMENT CORPORATION, A COLORADO CORPORATION

Witness my hand and official seal.
My Commission expires:

2/13/95

Notary Public Notary Public
State of Colorado

STATE OF COLORADO)
COUNTY OF SAN MIGUEL) s.s.

The foregoing instrument was acknowledged before me this 1st
day of APRIL, 1994 by RICHARD M. TITEL AS MANAGER OF
RICO PROPERTIES LIMITED LIABILITY COMPANY, A COLORADO LIMITED
LIABILITY COMPANY

Witness my hand and official seal.
My Commission expires:

2/13/95

Notary Public Notary Public
State of Colorado

STATE OF COLORADO)
COUNTY OF SAN MIGUEL) s.s.

The foregoing instrument was acknowledged before me this 1st
day of APRIL, 1994 by MARTIN S. BREGMAN AS PRESIDENT OF
TELLURIDE MOUNTAIN TITLE COMPANY, A COLORADO CORPORATION

Witness my hand and official seal.
My Commission expires:

5/30/94

Notary Public NOTARY PUBLIC
STATE OF COLORADO

EXHIBIT "A"**OPTION PROPERTY**

That certain real property located in Dolores County, Colorado and more particularly described on the attached Exhibit "A", together with all improvements and fixtures situated thereon and all improvements and appurtenances related thereto, including, but not limited to all mineral, timber and water rights related thereto and all rights of any nature whatsoever, including personal property (which shall be only that personal property owned by Optionor and located in the Burley Building, the Cafe and the Theatre as of the date hereof, which would include but shall not be limited to records, documents, copies of mining claims, historical memoranda and artifacts) ("Option Property").

EXHIBIT A

PROPERTY DESCRIPTION

OPTION I:

The following described property, all located within the Rico Townsite, County of Dolores, State of Colorado, according to the plat and other documents of record in the Office of the Clerk and Recorder of Dolores County:

Block 1	Lots 3, 4, 5, 6, 17, 18, 19, 20, 36, 37 and 38
Block 2	Lots 9, 10, 11 and 12
Block 4	Lots 39 and 40
Block 6	Lots 39 and 40
Block 10	Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39 and 40
Block 13	Lots 12, 13, 14, 15 and 16
Block 14	Lots 21, 22, 23, 24, 25, 26, 27, 28, North 20' of Lot 31 Lots 32, 33, 34, 35, 36, 37, 38, 39 and 40
Block 38	Lots 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39 and 40
Block 39	Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39 and 40

Tract 2, original ATLANTIC CABLE SUBDIVISION, according to the plat recorded in the office of the Clerk and Recorder in Book 238 at page 319,

County of Dolores,
State of Colorado.